SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH INDEPENDENT AUDITOR'S REPORT

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021
WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Saudi Paper Manufacturing Company
(A Saudi Joint Stock Company)
Dammam - Kingdom of Saudi Arabia

Opinion
We have audited the consolidated financial statements of Saudi Paper Manufacturing Company (a Saudi Joint Stock Company) ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards ("IFRSs") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis of Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) as endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics as endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter the listed below, our description on how our audit have addressed this matter is set below:

INDEPENDENT AUDITOR'S REPORT (Continued)

To the shareholders of
Saudi Paper Manufacturing Company
(A Saudi Joint Stock Company)
Dammam - Kingdom of Saudi Arabia

Key audit matters (Continued)

Key audit matter	**How the matter was addressed in our audit**
Impairment assessment of Operating fixed assets and Goodwill	
As of December 31, 2021, Operating fixed assets amounted to SR. 535.7 million (2020: SR 577 million) which represents 55% (2020: 65%) of the total assets of the Group as of December 31, 2021 and goodwill amounted to SR 12.4 million. Goodwill was recognized on the acquisition of Al-Juthoor Paper Tissue Manufacturing (Kuwait) in 2011. Management has performed an impairment assessment of its property, plant and equipment and goodwill as at December 31, 2021. In preparing these impairment studies, management assesses the future business plan of the respective cash generating units(CGUs) and apply valuation models to determine the expected recoverable amounts of these CGUs for the purpose of impairment assessment. We have considered this matter as a key audit matter because the assessment of the recoverable amount of these CGUs requires a number of judgments and assumptions related to future sales volume, prices, operating assets, growth rates, terminal value, discount rates and other related assumptions. Refer note 3 to the consolidated financial statements for the accounting policy related to impairment of tangible and intangible assets.	We have performed the following procedures for assessing the impairment of operating fixed assets and goodwill: • Evaluated whether the model used by management to calculate the value in use of respective CGUs is in compliance with the requirements of IAS 36. • Validated the assumptions used for estimating the future cash flows, the related discount rates and other related assumptions. • Analyzed the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic condition and expected future performance. • Engaged auditor's expert to assess the application of valuation method to calculate value in use as per IAS 36 "Impairment of assets" and to perform reasonable check of assumptions used in the model. • Compared key assumptions against historic trends, business plans and industry benchmarks as applicable. Additionally, we reviewed and assessed the future business plans both from internal and external perspectives, and compared forecast to historical trends. • Checked the accuracy and completeness of the information by verifying the data inputs as used in the impairment assessment as the basis of impairment assessment; and • Assessed whether the related disclosures are in accordance with the requirements of International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the shareholders of
Saudi Paper Manufacturing Company
(A Saudi Joint Stock Company)
Dammam - Kingdom of Saudi Arabia

Other Information Included in the Group's 2021 Annual Report

Management is responsible for the other information. The other information comprises the information included in the Group's annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, and we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the Company's By-laws and applicable requirements of the Companies regulations, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Board of Directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT (Continued)

To the shareholders of
Saudi Paper Manufacturing Company
(A Saudi Joint Stock Company)
Dammam - Kingdom of Saudi Arabia

Auditor's responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Al-Bassam & Co.
P.O. Box 4636
Al Khobar 31952
Kingdom of Saudi Arabia

Ibrahim Ahmed Al Bassam
Certified Public Accountant
License No. 337
Al Khobar

March 27, 2022
24 Sha'aban 1443H

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2021

	Note	2021 SR	2020 SR
ASSETS			
Non-current assets			
Property, plant and equipment	4	**551,064,863**	586,320,382
Intangible assets	5	**24,817,004**	25,150,103
Investment in an associate	6	**21,908,075**	22,272,588
Total non-current assets		**597,789,942**	633,743,073
Current assets			
Inventories	8	**85,312,232**	88,773,823
Trade receivables	9	**149,738,769**	118,609,453
Advances, prepayments and other assets	10	**67,794,189**	20,018,833
Short term deposits	12	**34,000,000**	-
Cash and cash equivalents	11	**43,068,386**	15,722,940
Total current assets		**379,913,576**	243,125,049
TOTAL ASSETS		**977,703,518**	876,868,122
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**192,000,000**	92,000,000
Statutory reserve	13	**3,357,444**	329,858
Translation reserve		**(6,803,818)**	(6,216,797)
Other reserves	13	**(764,453)**	80,305
Retained earnings		**24,771,851**	2,968,719
Equity attributable to the shareholders of the Company		**212,561,024**	89,162,085
Non-controlling interest		**1,024,586**	1,443,172
Total equity		**213,585,610**	90,605,257
LIABILITIES			
Non-current liabilities			
Medium and long term loans	14	**329,222,803**	366,241,351
Employees' end of service benefits	15	**20,597,189**	18,017,806
Lease liabilities – non current portion	20	**11,557,463**	7,078,768
Total non-current liabilities		**361,377,455**	391,337,925
Current liabilities			
Short-term loans	17	**168,063,254**	119,176,284
Medium and long term loans – current portion	14	**93,154,258**	151,284,922
Trade payables	16	**71,660,168**	67,896,961
Accrued expenses and other liabilities	18	**49,675,462**	40,887,231
Provision for zakat	19	**16,210,122**	14,226,861
Lease liabilities – current portion	20	**3,977,189**	1,452,681
Total current liabilities		**402,740,453**	394,924,940
Total liabilities		**764,117,908**	786,262,865
TOTAL EQUITY AND LIABILITIES		**977,703,518**	876,868,122

These consolidated financial statements were approved and authorized for issue by the Board of Directors, on behalf of shareholders and were signed on their behalf on March 24, 2022.

Khalid Walid Abo Hana **Chief Financial Officer**	**Yousseri Abdel Hamid Abdel Aziz El Bishry** **Chief Executive Officer**	**Abdullah Abdul Rahman Al-Kharashi** **Chairman**

The accompanying notes form an integral part of these consolidated financial statements.

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 SR	2020 SR
Revenue	21	**588,799,468**	532,090,559
Cost of revenue	22, 29	**(452,749,231)**	(385,219,010)
Gross profit		**136,050,237**	146,871,549
General and administrative expenses	23, 29	**(43,441,070)**	(39,397,154)
Selling and distribution expenses	24, 29	**(54,024,457)**	(49,048,802)
(Allowance) /reversal for impairment of trade receivables	9	**(966,906)**	2,845,115
Share in profit of an associate	6	**3,275,487**	3,619,915
Other income	26.1	**19,416,068**	2,606,242
Other expenses	26.2	**(4,072,695)**	(14,269,711)
Profit before finance charges and zakat		**56,236,664**	53,227,154
Finance charges	25	**(22,473,434)**	(33,516,919)
Profit before zakat		**33,763,230**	19,710,235
Zakat	19	**(2,986,937)**	(4,051,877)
Net profit for the year		**30,776,293**	15,658,358
<u>Other comprehensive (loss) income</u>			
Items that will not be reclassified to profit or loss			
Remeasurement (loss) gain on employees' end of service benefits	13, 15	**(2,329,278)**	2,339,559
Impairment of investment at fair value through other comprehensive income	7, 13, 26.2	**1,484,520**	-
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations and others		**(611,644)**	(1,064,291)
Other comprehensive (loss) income for the year		**(1,456,402)**	1,275,268
Total comprehensive income for the year		**29,319,891**	16,933,626
Net profit attributable to:			
Shareholders of the Company		**30,275,860**	15,100,183
Non-controlling interest		**500,433**	558,175
Net profit for the year		**30,776,293**	15,658,358
Total comprehensive income attributable to:			
Shareholders of the Company		**28,844,081**	16,439,379
Non-controlling interest		**475,810**	494,247
Total comprehensive income for the year		**29,319,891**	16,933,626
Earnings per share (SR) attributable to shareholders of the company			
Basic and diluted earnings per share	27	**1.58**	0.93

The consolidated financial statements were approved and authorized for issue by the Board of Directors, on behalf shareholders and were signed on their behalf on March 24, 2022.

Khalid Walid Abo Hana Chief Financial Officer	Yousseri Abdel Hamid Abdel Aziz El Bishry Chief Executive Officer	Abdullah Abdul Rahman Al-Kharashi Chairman

The accompanying notes form an integral part of these consolidated financial statements.

SAUDI PAPER MANUFACTURING COMPANY

(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Equity attributable to the shareholders of the Company							
	Share capital SR	Statutory reserve SR	Translation reserve SR	Other reserves SR	Retained earnings /(accumulated losses) SR	Total SR	Non-controlling interest SR	Total equity SR
As at January 1, 2020	92,000,000	-	(5,216,434)	(2,259,254)	(11,801,606)	72,722,706	1,222,385	73,945,091
Net profit for the year	-	-	-	-	15,100,183	15,100,183	558,175	15,658,358
Other comprehensive (loss) income for the year	-	-	(1,000,363)	2,339,559	-	1,339,196	(63,928)	1,275,268
Total comprehensive (loss) income for the year	-	-	(1,000,363)	2,339,559	15,100,183	16,439,379	494,247	16,933,626
Transfer to statutory reserve	-	329,858	-	-	(329,858)	-	-	-
Transaction with owners of the Company								
Dividend paid	-	-	-	-	-	-	(273,460)	(273,460)
As at December 31, 2020	92,000,000	329,858	(6,216,797)	80,305	2,968,719	89,162,085	1,443,172	90,605,257
As at January 1, 2021	**92,000,000**	**329,858**	**(6,216,797)**	**80,305**	**2,968,719**	**89,162,085**	**1,443,172**	**90,605,257**
Net profit for the year	**-**	**-**	**-**	**-**	**30,275,860**	**30,275,860**	**500,433**	**30,776,293**
Other comprehensive loss for the year	**-**	**-**	**(587,021)**	**(844,758)**	**-**	**(1,431,779)**	**(24,623)**	**(1,456,402)**
Total comprehensive (loss) income for the year	**-**	**-**	**(587,021)**	**(844,758)**	**30,275,860**	**28,844,081**	**475,810**	**29,319,891**
Transfer to statutory reserve	**-**	**3,027,586**		**-**	**(3,027,586)**	**-**	**-**	**-**
Transaction with owners of the Company								
Increase in share capital (note 1)	**100,000,000**	**-**	**-**	**-**	**-**	**100,000,000**	**-**	**100,000,000**
Cost of increase in share capital	**-**	**-**	**-**	**-**	**(5,445,142)**	**(5,445,142)**	**-**	**(5,445,142)**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**(894,396)**	**(894,396)**
As at December 31, 2021	**192,000,000**	**3,357,444**	**(6,803,818)**	**(764,453)**	**24,771,851**	**212,561,024**	**1,024,586**	**213,585,610**

The consolidated financial statements were approved and authorized for issue by the Board of Directors, on behalf of shareholders and were signed on their behalf on March 24, 2022.

Khalid Walid Abo Hana **Chief Financial Officer**	**Yousseri Abdel Hamid Abdel Aziz El Bishry** **Chief Executive Officer**	**Abdullah Abdul Rahman Al-Kharashi** **Chairman**

The accompanying notes form an integral part of these consolidated financial statements.

SAUDI PAPER MANUFACTURING COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 SR	2020 SR
Cash flow from operating activities		
Net profit for the year	**30,776,293**	15,658,358
Adjustments for:		
Depreciation of property, plant and equipment	**54,450,086**	53,114,266
Finance charges	**22,473,434**	33,516,919
Other income	**(17,300,000)**	-
Provision for employees' end of service benefits	**3,614,006**	2,850,064
Share in profit of an associate	**(3,275,487)**	(3,619,915)
Zakat expense	**2,986,937**	4,051,877
Amortization of intangible assets	**2,221,706**	5,633,537
Impairment loss on property, plant and equipment	**1,915,570**	1,575,300
Impairment of investment at FVOCI	**1,484,520**	-
Allowance /(reversal) for impairment of trade receivables	**966,906**	(2,845,115)
Gain on sale of property, plant and equipment	**(159,332)**	(363,928)
Inventory direct write off	**206,789**	-
Allowance for slow moving inventories	**158,085**	2,200,000
Provision against other receivables	**-**	13,654,067
	100,519,513	125,425,430
Changes in operating assets and liabilities:		
Trade receivables	**(32,096,222)**	22,208,127
Inventories	**939,792**	(23,406,524)
Advances, prepayments and other assets	**(31,658,943)**	3,444,719
Short term deposits	**(34,000,000)**	-
Trade payables	**3,763,207**	(2,552,210)
Accrued expenses and other liabilities	**9,125,329**	(1,707,549)
Cash generated from operating activities	**16,592,676**	123,411,993
Finance cost paid	**(21,234,799)**	(31,087,930)
Zakat paid	**(987,862)**	(6,033,712)
Employees' end of service benefits paid	**(3,363,901)**	(2,320,856)
Net cash (used in) generated from operating activities	**(8,993,886)**	83,969,495
Cash flow from investing activities		
Additions to property, plant and equipment	**(10,199,125)**	(10,208,684)
Dividend received from an associate	**3,640,000**	2,600,000
Additions to intangible assets	**(1,438,607)**	(242,779)
Proceeds from disposal of property, plant and equipment	**1,166,525**	526,566
Net cash flows used in investing activities	**(6,831,207)**	(7,324,897)
Cash flow from financing activities		
Proceeds from increase in share capital, net	**95,738,445**	-
Receipt of medium and long term loans	**3,221,241**	24,323,211
Repayment of medium and long term loans	**(99,016,389)**	(98,839,864)
Change in short term loans, net	**48,779,898**	3,628,952
Dividend paid to non controlling interest	**(894,396)**	(273,460)
Lease payments	**(4,207,853)**	(895,400)
Net cash generated from (used in) financing activities	**43,620,946**	(72,056,561)
Net change in cash and cash equivalents	**27,795,853**	4,588,037
Cash and cash equivalents at the beginning of the year	**15,722,940**	11,959,334
Effect of exchange rate fluctuations	**(450,407)**	(824,431)
Cash and cash equivalents at the end of the year	**43,068,386**	15,722,940

Supplemental cash flow information 32

The consolidated financial statements were approved and authorized for issue by the Board of Directors, on behalf of shareholders and were signed on their behalf on March 24, 2022.

Khalid Walid Abo Hana	**Yousseri Abdel Hamid Abdel**	**Abdullah Abdul Rahman**
Chief Financial Officer	**Aziz El Bishry**	**Al-Kharashi**
	Chief Executive Officer	**Chairman**

The accompanying notes form an integral part of these consolidated financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Paper Manufacturing Company ("the Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under commercial registration number 2050028141 issued in Dammam on Muharram 10, 1415H (June 20, 1994). The Company's share capital is SR 192 million divided into 19.2 million shares of SR 10 each.

The principal activities of the Company and its subsidiaries (the "Group"), each of which operates under individual commercial registration, are to manufacture tissue paper rolls, convert tissue paper rolls into facial, kitchen and toilet tissue papers and collect, sort, transport and press waste papers.

The Company's registered office is P.O. Box 2598, Unit number 2, Dammam 34326-7169, the Kingdom of Saudi Arabia.

The shareholders in their extraordinary general meeting held on November 4, 2019 approved recommendation of the Board of Directors of the Company to reduce the share capital of the Company from SR 245,000,000 to SR 92,000,000 for the purpose of restructuring of the share capital of the Company to absorb the accumulated losses of the Company and support its future growth. As a result, total number of shares of the Company was reduced from 24,500,000 to 9,200,000 by way of cancellation of shares and the capital was accordingly reduced to SR 92 million. Following the capital reduction, the Board recommended to increase the share capital of the Company through right issue by SR 150 million in order to strengthen the financial position of the Group and to improve liquidity and working capital needs. On April 28, 2020, the Board of the Directors of the Company resolved to adjust their previous recommendation on increase in share capital, whereby it was agreed to increase the share capital by SR 100 million instead of SR 150 million by way of right issue. During the year, the Company increased its share capital through right issue by SR 100 million by offering 10 million shares which were fully subscribed. All the legal formalities related to increase of share capital has been completed.

On October 18, 2021, the Company announced the Board recommendation to increase the share capital of the Company by SR 145 million by way of right issue to support the expansion activities and provide working capital to increase operational capacity and support the future activities.

Structure of the group

The consolidated financial statements include the financial statements of the Company and its subsidiaries ("The Group') as listed below:

Subsidiary	**Country of incorporation**	**Ownership percentage at December 31,**	
		2021	**2020**
Saudi Recycling Company	Saudi Arabia	**100%**	100%
Saudi Paper Converting Company	Saudi Arabia	**100%**	100%
Saudi Investment and Industrial Development Company	Saudi Arabia	**100%**	100%
Al Madar Paper Trading	Morocco	**100%**	100%
Al Madar Paper Trading	Jordan	**100%**	100%
Saudi Paper Converting Company Jordan	Jordan	**100%**	100%
Al Madar Paper	Algeria	**100%**	100%
Morocco Paper Manufacturing Company *	Morocco	**100%**	-
Al - Juthoor Paper Tissue Manufacturing Plant	Kuwait	**85%**	85%
Al Madar Paper Trading (Al Madar)	UAE	**-**	100%

1- *In 2019, based on a "promise to sell agreement" the Group sold one of its subsidiary, Morocco Paper Manufacturing Company (MPMC). The balance receivable against the sale amounting to SR 13.6 million was presented under advances, prepayments and other assets. In 2020, the Company has provided SR 13.6 million against this receivable balance based on the recommendation of Board of Director of the Company and filed a law suit to cancel the sale agreement and recovery of factory. During the year, the Company obtained back the possession of the subsidiary through a court order. (Note 4 & 26).

2- During the year, the Group based on the authorized approvals, has liquidated its non-operational subsidiary in UAE. Net impact on liquidation of SR 66,418 was recorded as other income. The legal procedures related to liquidation were completed during the year.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA").

2.2 Basis of accounting

These consolidated financial statements have been prepared on the historical cost convention, except where IFRS requires other measurement basis as disclosed in the applicable accounting policies in note 3 of the consolidated financial statements.

The preparation of these consolidated financial statements in conformity with IFRSs required management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts in the consolidated financial statements. These critical accounting judgements and key sources of estimations are disclosed in note 3.23.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Saudi Riyal (SR), which is the Group's functional and presentation currency.

2.4 Basis of consolidation

These consolidated financial statements incorporate the financial statements of the "Group" as detailed in note 1. Control is achieved when the Group**:**

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Consolidated statement of profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and non- controlling interest. Total comprehensive income of subsidiaries is wholly attributed to the shareholders of the Company except the comprehensive income of Al-Juthoor subsidiary.

2. BASIS OF PREPARATION (Continued)

2.4 Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.5 New standards, amendments to standards and interpretations

A number of new standards, interpretations and amendments to the standards are effective from January 1, 2021, but they don't have material effect on the Group's consolidated financial statements.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021	These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms. The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9.
IFRS 16	Amendments to IFRS 16 Leasing - Covid-19 Related Rent Concessions	April 1, 2021	This amendment extends the exemption from assessing whether a COVID-19-related rent concession is a lease modification for payments originally due on or before June 30, 2022 (rather than payment due on or before June 30, 2021).
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements. IFRS 9: The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.

2. BASIS OF PREPARATION (Continued)

2.6 New standards, amendments to standards and interpretation that have been issued but are not yet effective

The Group has not applied the following new and revised IFRSs and amendments that have been issued but are not yet effective.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the year of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies applied by the Group.

3.1 Property, plant and equipment

Property, plant and equipment are stated at their cost less accumulated depreciation and accumulated impairment losses.

Properties in the course of construction are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property and equipment (except freehold land and building under construction) are depreciated over its useful lives using the straight line method.

The estimated useful life of the principal classes of assets are as follows:

Class of assets	No of Years
- Buildings and land improvements	25 – 33
- Plant, machinery and equipment	5 – 25
- Furniture, fixtures and office equipment	5 – 15
- Vehicles	4 – 8

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

I. Capitalization of costs under PPE

The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Capital work in progress represents the accumulated costs incurred by the group in relation to the construction of its building and structures in the development stage. Cost incurred are initially charged to the capital work in progress then these costs are transferred to property, plant and equipment when the construction of these facilities are completed. Finance costs on borrowings attributable to the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

II. Derecognition of property, plant and equipment

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Property, plant and equipment (Continued)

III. Capital Spare Parts (CSP)

The Group classifies CSPs into critical spare parts (strategic spare parts) and general spare parts using the below guidance:

- A critical spare part is one that is on "stand-by", i.e. probable to be a major item / part critical to be kept on hand to ensure uninterrupted operation of production. They would normally be used only due to a breakdown, and are not generally expected to be used on a routine basis. Depreciation on critical spares commences immediately on the date of purchase.

- General spare parts are other major spare parts not considered critical and are bought in advance due to planned replacement schedules (in line with prescribed maintenance program) to replace existing major spare parts with new parts that are in operation. Such items are considered to be "available for use" only at a future date, and hence depreciation commences when it is installed as a replacement part. The depreciation period for such general capital spares is over the lesser of its useful life, and the remaining expected useful life of the equipment to which it is associated.

3.2 Intangible assets

Intangible assets anticipated to provide identifiable future benefits are classified as non-current assets. Intangible assets comprise of goodwill, computer softwares and right of use of leased land. Enterprise resource planning (ERP) system development costs represent costs incurred to implement new system and are amortized over 4-7 year period from the date it is fully implemented. The right of use of leased land is amortized over the useful life of the buildings using the straight-line method.

Goodwill represents the excess of the cost of a business combination over the Group's interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instrument issued, plus the amount of any non-controlling interests in the acquire plus. If the business combination is achieved in stages, the fair value of the existing equity interest in the acquire. Contingent consideration is included in the cost at its acquisition date fair value and in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For further details, refer to note 5.

3.3 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the Cash-Generating Unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Impairment of tangible and intangible assets (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in statement of profit or loss and other comprehensive income.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in statement of profit or loss and other comprehensive income.

3.4 Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, includes the Group's share of the profit or loss and Other Comprehensive Income (OCI) of equity accounted investees, until the date on which significant influence ceases.

3.5 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials, packing material and spare parts at weighted average cost basis; cost comprises all costs of purchases and other costs incurred in bringing the inventories to their present location and condition.
- Finished goods and work-in-process at weighted average cost basis: these include cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

Net realizable value (NRV) is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Allowance is made for slow moving inventories.

Spare parts may represent items that might result in fixed capital expenditure but are not distinguishable from consumables spare parts, hence these are classified under spare parts as current assets.

3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held with the bank, all of which have maturities of 90 days or less and are available for use by the Group unless otherwise stated. Bank overdraft if any, is shown under line item borrowings.

3.6.1 Short-term deposits

Short-term deposits comprise of time deposits with banks with maturity periods of more than three months and less than one year from the date of acquisition.

3.7 Financial Instruments

Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The Group classified its investments in unquoted equity securities under fair value through other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial Instruments (continued)

Classification of financial assets (Continued)

Financial Asset at amortized cost
A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Business model assessment
The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading, if any, and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessments whether contractual cash flows are solely payments of principal and profit
For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risks associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin. Financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI).

Financial assets at fair value through other comprehensive income (FVOCI)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flow represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Financial Instruments (Continued)

Financial assets at fair value through profit or loss (FVPL)

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Classification of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost. Amortized cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the Effective Interest Rate (EIR).

De-recognition

Financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Impairment

The impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. The impairment methodology is generally dependent on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach as required by IFRS 9.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

Effective interest rate method

The effective interest rate (EIR) method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Discontinued operations and non-current assets held for sale

The results of discontinued operations are presented separately in the statement of profit and loss and other comprehensive income. Non-current assets (or disposal groups) are classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Non-current assets (or disposal groups) are classified as held for sale it their carrying amount will be recovered through a sale transaction rather than through continuing use. This is the case when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal groups) and the sale is considered to be highly probable.

A sale is considered to be highly probable if the appropriate level of management is committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan has been initiated. Further, the asset (or disposal group) has been actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one-year from the date that it is classified as held for sale.

Non-current assets held for sale are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of the disposal group continued to be recognized.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

3.9 Foreign Currency translations

Transactions denominated in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of each reporting period are translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences on monetary items are recognized in the consolidated statement of profit and loss and other comprehensive income in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to consolidated statement of profit or loss on repayment of the monetary items.

On the disposal of a foreign operation (i.e. a disposal of the Group’s entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to statement of profit or loss. In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognized in the statement of profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Group entities

The results and financial position of foreign subsidiaries having reporting currencies other than the presentation currency of the parent company, are translated into functional currency as follows:

(i) Assets and liabilities for each reporting period presented are translated at the closing exchange rates prevailing at the end of reporting period.

(ii) Income and expenses from each reporting period are translated at average exchange rates and;

(iii) Components of the equity accounts are translated at the exchange rates in effect of the dates of the related items originated. Cumulative adjustments resulting from the translations are reported in other comprehensive income and are reported in a separate component of equity as "Currency translation differences".

3.11 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.12 Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and restoration costs. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over underlying asset's useful life. Right-of-use assets are subject to impairment.

3.13 Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the year on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Incremental rate is the rate that the individual lessee would pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Lease liabilities (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce constant periodic rate of interest on the remaining balance of the liability of each year.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of rented properties (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3.14 Employee benefits

I. Short term employees' benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations within accruals in the consolidated statement of financial position.

II. Employee end of service benefits (EOSB)

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The liability recognized in consolidated statement of financial position in respect of employee benefits is the present value of defined benefits obligation at the end of reporting period.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

Service cost

Service costs includes current service cost and past service cost are recognized immediately in consolidated statement of profit or loss.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in consolidated statement of profit or loss and other comprehensive income as past service costs.

Interest cost

Interest cost is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. This cost is included in employee benefit expense in the consolidated statement of profit or loss.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Revenue from contract with customers

The Group recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods, using the five-step model. This includes:

a) Identification of a contract with a customer, i.e., agreements with the Company that creates enforceable rights and obligations.

b) Identification of the performance obligations in the contract, i.e., promises in such contracts to transfer products or services.

c) Determination of the transaction price which shall be the amount of consideration the Company will expect to be entitled to in exchange for fulfilling its performance obligations (and excluding any amounts collected on behalf of third parties).

d) Allocation of the transaction price to each identified performance obligation based on the relative stand-alone estimated selling price of the products or services provided to the customer.

e) Recognition of revenue when/as a performance obligation is satisfied, i.e., when the promised products or services are transferred to the customer and the customer obtains control. This may be over time or at a point in time.

Revenue shall be measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described above must also be met before revenue is recognized. Where there are no specific criteria, above policy will apply and revenue is recorded as earned and accrued.

Revenue is recognized upon delivery or shipment of the products in accordance with the contract terms by which the control of the goods/ products is transferred to the customers and the Group has no effective control over or continuing management involvement over these goods.

3.16 Other income

Other income includes scrap sales recoveries, gain on sales of property, plant and equipment and other recoveries. Scrap sales recoveries are recognized in consolidated profit and loss on the date on which the Group's right to receive the payment is established. Gain on sales of property, plant and equipment is recognized in consolidated profit or loss on the date on which the Group's right to receive the payment is established. Other recoveries are recognised as income when virtually certain.

3.17 Borrowing costs

Borrowing costs are recognised in consolidated profit and loss account in the period in which these are incurred except to the extent of borrowing costs on long term finances that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised, during the period of time that is required to complete and prepare the asset for its intended use.

3.18 Zakat and income tax

The Group is subject to the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the kingdom of Saudi Arabia. Moreover, the subsidiaries are subject to the relevant laws relating to income tax in the countries where they conduct their activities. Zakat is calculated on accrual basis. Zakat is calculated on the higher of zakat base or adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

(a) Withholding tax
The Company and its local subsidiaries withhold taxes on certain transactions with non-resident parties in the KSA, as required under Saudi Arabian Income Tax Law.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Zakat and income tax (Continued)

(b) Value added tax

Expenses and assets are recognized net of the amount of value added tax, except:

- when the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the value added tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- when receivables and payables are stated with the amount of value added tax included. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3.19 Statutory reserve

In accordance with regulations for companies in Saudi Arabia and the by-laws of the Company, the Group has established a statutory reserve by the appropriation of 10% of net income, if available after absorption of accumulated losses, until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

3.20 Dividend

Dividends are recognized as liability at the time of their approval in the annual general assembly meeting. Interim dividends are recorded as and when approved by the board of directors.

3.21 Expenses

Expenses are classified according to their function as part of cost of sales, or the cost of selling and marketing or administrative activities. Selling, distribution, general and administrative expenses include indirect costs not specifically part of production costs as required as per generally accepted accounting principles. Allocations between selling, marketing, general and administrative expenses and production costs, when required are made on a consistent basis.

3.22 Operating Segment

(a) Business segment

A business segment is group of assets, operations or entities:

(i) Engaged in revenue producing activities;
(ii) Results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
(iii) Financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

3.23 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(1) Critical accounting judgments

The following are the critical judgements, that have most significant effects on the amounts recorded in the financial statements.

Revenue recognition

The Group recognizes revenue at a point in time including revenue for made-to-order tissues as the revenue recognition criteria for revenue over time is not fulfilled as per the requirement of IFRS.

(2) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Impairment of non-financial assets

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets other than intangible assets and that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated statement of profit or loss. Impairment losses recognized on Goodwill are not reversible. These are disclosed in note 4 of these consolidated financial statements.

(b) Impairment of financial assets including trade receivables

The loss allowances for trade and other receivables are based on assumptions about risk of default and unexpected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. These are disclosed in note 9 of these consolidated financial statements.

(c) Provision for slow moving inventory items

The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration, fluctuations of price or cost directly related to events occurring subsequent to the statement of financial position date to the extent that such events confirm conditions existing at the end of year. These are disclosed in note 8 of these consolidated financial statements.

(d) Provisions and contingencies

A provision for incurred liabilities is recognized when the Group has a present legal or constructive obligations as a result of past events and it is more likely than not that an outflow of resource will be required to settle the obligation and the amount has been reliably estimated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.23 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

(2) Key sources of estimation uncertainty (Continued)

***(d) Provisions and contingencies** (Continued)*

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with in the control of the Group; or all present obligations arising from past events but not recognized because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; assessed at each statement of financial position date and disclosed in the Group's financial statements under contingent liabilities. Contingencies are disclosed in note 33 of these consolidated financial statements.

(e) Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods. These are disclosed in note 3 of these consolidated financial statements.

(f) Estimation of defined benefit obligation

The cost of defined benefit obligation and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. These are disclosed in note 15 of these consolidated financial statements.

(f)Leases

In case the Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. These are disclosed in note 20 of these consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Note	**2021** **SR**	2020 SR
Operating fixed assets	4.1	**535,680,941**	577,047,690
Right of use assets	4.2	**15,383,922**	9,272,692
		551,064,863	586,320,382

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

4.1. Operating fixed assets

2021	**Lands SR**	**Buildings and improvements SR**	**Plant, machinery and equipment SR**	**Furniture fixtures and office equipment SR**	**Vehicles SR**	**Capital work in progress SR**	**Total SR**
Cost:							
As at January 1, 2021	**14,731,814**	**263,336,881**	**1,116,390,012**	**17,361,089**	**22,739,801**	**11,901,342**	**1,446,460,939**
Adjustment (note 1 and note 26)	-	7,715,751	1,726,509	160,806	-	4,051,001	13,654,067
Additions during the year	-	949,158	3,750,028	1,659,847	1,174,112	2,665,980	10,199,125
Spare parts capitalized	-	-	2,156,925	-		-	2,156,925
Transfers from CWIP	-	6,711,195	4,411,670	-	70,445	(11,193,310)	-
Transfer to intangible assets	-	-	-	-	-	(450,000)	(450,000)
Disposals during the year	-	-	(5,160,422)	(6,506)	-	-	(5,166,928)
Effect of movements in exchange rates	(3,281)	(78,898)	(109,362)	(1,163)	(26,210)	57,677	(161,237)
As at December 31, 2021	**14,728,533**	**278,634,087**	**1,123,165,360**	**19,174,073**	**23,958,148**	**7,032,690**	**1,466,692,891**
Accumulated depreciation and impairment:							
As at January 1, 2021	-	(114,652,397)	(718,166,348)	(15,489,893)	(21,104,611)	-	(869,413,249)
Adjustment (note 1 and note 26)	-	(7,715,751)	(1,726,509)	(160,806)	-	(4,051,001)	(13,654,067)
Depreciation for the year	-	(9,879,940)	(37,942,664)	(1,323,138)	(1,043,057)	-	(50,188,799)
Impairment for the year	-	(621,966)	(1,293,604)	-	-	-	(1,915,570)
Disposals	-	-	4,153,363	6,372	-	-	4,159,735
As at December 31, 2021	-	(132,870,054)	(754,975,762)	(16,967,465)	(22,147,668)	(4,051,001)	(931,011,950)
Net book value:							
As at December 31, 2021	**14,728,533**	**145,764,033**	**368,189,598**	**2,206,608**	**1,810,480**	**2,981,689**	**535,680,941**

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

4.1. Operating fixed assets (Continued)

2020	Lands SR	Buildings and improvements SR	Plant, machinery and equipment SR	Furniture fixtures and office equipment SR	Vehicles SR	Capital work in progress SR	Total SR
Cost:							
As at January 1, 2020	14,731,814	263,245,972	1,109,496,621	16,653,553	23,949,627	7,731,313	1,435,808,900
Additions during the year	-	88,260	3,518,195	743,592	474,000	5,384,637	10,208,684
Spare parts capitalized	-	-	2,565,859	-	-	-	2,565,859
Transfers	-	-	986,608	228,000	-	(1,214,608)	-
Disposals during the year	-	-	(81,739)	(262,896)	(1,660,632)	-	(2,005,267)
Effect of movements in exchange rates	-	2,649	(95,532)	(1,160)	(23,194)	-	(117,237)
As at December 31, 2020	14,731,814	263,336,881	1,116,390,012	17,361,089	22,739,801	11,901,342	1,446,460,939
Accumulated depreciation and impairment:							
As at January 1, 2020	-	(105,700,838)	(674,710,614)	(15,222,343)	(22,153,448)	-	(817,787,243)
Depreciation for the year	-	(8,951,559)	(41,810,161)	(455,025)	(583,991)	-	(51,800,736)
Impairment for the year	-	-	(1,575,300)	-	-	-	(1,575,300)
Disposals	-	-	-	188,570	1,654,059	-	1,842,629
Effect of movements in exchange rates	-	-	(70,273)	(1,095)	(21,231)	-	(92,599)
As at December 31, 2020	-	(114,652,397)	(718,166,348)	(15,489,893)	(21,104,611)	-	(869,413,249)
Net book value:							
As at December 31, 2020	14,731,814	148,684,484	398,223,664	1,871,196	1,635,190	11,901,342	577,047,690

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

4.2 Right of use assets

2021	**Lands SR**	**Buildings SR**	**Office equipment SR**	**Vehicle SR**	**Total SR**
Cost:					
As at January 1, 2021	**8,650,545**	**2,162,132**	**518,895**	**-**	**11,331,572**
Additions	**-**	**1,226,573**	**-**	**9,145,944**	**10,372,517**
Derecognition of right of use assets	**-**	**(131,065)**	**-**	**-**	**(131,065)**
As at December 31, 2021	**8,650,545**	**3,257,640**	**518,895**	**9,145,944**	**21,573,024**
Accumulated depreciation					
As at January 1, 2021	**(1,490,894)**	**(559,432)**	**(8,554)**	**-**	**(2,058,880)**
Depreciation for the year	**(741,517)**	**(821,815)**	**(107,710)**	**(2,590,245)**	**(4,261,287)**
Depreciation on derecognised assets	**-**	**131,065**	**-**	**-**	**131,065**
As at December 31, 2021	**(2,232,411)**	**(1,250,182)**	**(116,264)**	**(2,590,245)**	**(6,189,102)**
Net book value:					
As at December 31, 2021	**6,418,134**	**2,007,458**	**402,631**	**6,555,699**	**15,383,922**

2020	Lands SR	Buildings SR	Office equipment SR	Total SR
Cost:				
As at January 1, 2020	8,650,545	-	-	8,650,545
Additions	-	2,192,156	518,895	2,711,051
Effect of movement exchange rates	-	(30,024)	-	(30,024)
As at December 31, 2020	8,650,545	2,162,132	518,895	11,331,572
Accumulated depreciation				
As at January 1, 2020	(745,350)	-	-	(745,350)
Depreciation for the year	(745,544)	(559,432)	(8,554)	(1,313,530)
As at December 31, 2020	(1,490,894)	(559,432)	(8,554)	(2,058,880)
Net book value:				
As at December 31, 2020	7,159,651	1,602,700	510,341	9,272,692

Lease liabilities related to these ROU assets are disclosed in note 20 to these consolidated financial statements.

4.3 Allocation of depreciation

	Note	**2021 SR**	2020 SR
Cost of sales	22	**49,018,335**	50,826,302
General and administrative expenses	23	**1,672,969**	1,728,952
Selling and distribution expenses	24	**3,758,782**	559,012
Total		**54,450,086**	53,114,266

4.4 Impairment on working plant and machinery

The management engaged a third party consultant for the review of impairment assessment of its property, plant and equipment from the manufacturing segment as at December 31, 2021 since the economic performance of the asset is not in line with expectations. Property, plant and equipment assessed for impairment comprise of production lines each of which represent a separate CGU. Recoverable amount for these assets was derived through value in use using discounted cash flows. Based on the results of this assessment, no impairment loss was recognised during the year (December 31, 2020: SR 0.95 million). The assessment includes assumptions related to future sales volume, prices, annual growth rates, terminal growth rates, net realizable value, discount rates and other related factors. The outcome of these assumptions is highly dependent on the success of future operations and market conditions as estimated by management and achieving its plans in future. Management is confident of its ability to meet its future business plan and believes that the carrying value of property, plant and equipment as of December 31, 2021 will not exceed their recoverable amounts.

4. PROPERTY, PLANT AND EQUIPMENT (Continued)

4.5 Impairment of unutilized plant and machinery

The management engaged a third party consultant for the impairment assessment of certain unutilized assets of property, plant and equipment from the manufacturing segment as of December 31, 2021, amounting to SR 24.17 million (December 31, 2020: SR 29.46 million). Unutilized plant and machinery assessed for impairment comprise of certain assets each of which represent a separate CGU. Fair value less cost of disposal of these assets i.e. market approach, based on both budgetary price method and direct sales comparison was used. The fair value of these assets is measured under level 3 of fair value hierarchy. The recoverable amount of these assets aggregate to SR 22.88 million. The assumptions used in the valuation reflect current market scenario as of the valuation date which are readily comparable in the open market. Based on the results of this assessment, an impairment loss of SR 1.29 million was recognised for these unutilized assets as of December 31, 2021 (December 31, 2020: SR 0.6 million) which is disclosed in other expenses note 26.2. The assessment includes assumptions related to estimated selling price in ordinary course of business, estimated cost of completion and estimated cost necessary to make the sales of these assets. The outcome of these assumptions is highly dependent on market conditions as estimated by management and achieving its plans in future. Management believes that these assets have the ability to provide future economic benefits to the Group and accordingly carrying amount of such assets will not exceed their recoverable amounts as of December 31, 2021.

4.6 Security

At December 31, 2021 and 2020, plant and machinery having a net book value equal to SIDF loan carrying amount are mortgage with SIDF. (Note 14)

4.7 Leased hold land

Plant and machinery of the Group in Kingdom of Saudi Arabia is constructed on leased hold land.

5. INTANGIBLE ASSETS

	Note	**2021 SR**	2020 SR
Definite useful life			
Computer softwares	5.1	**3,266,340**	3,184,848
Right of use of lease land	5.2	**9,121,000**	9,535,591
Indefinite useful life			
Goodwill	5.3	**12,429,664**	12,429,664
		24,817,004	25,150,103

5.1 Movement in computer softwares with definite useful life is as follows:

	December 31, 2021 SR	December 31, 2020 SR
Opening balance	**3,184,848**	4,429,697
Additions	**1,438,607**	242,779
Transfer from PPE	**450,000**	-
Amortization	**(1,807,115)**	(1,487,628)
Closing balance	**3,266,340**	3,184,848

Computer software closing balance includes capital work in progress amounting SR 1.2 million.

5.2 Movement in right of use leasehold land with definite useful life is as follows:

	December 31, 2021 SR	December 31, 2020 SR
Opening balance	**9,535,591**	13,681,500
Amortization	**(414,591)**	(4,145,909)
Closing balance	**9,121,000**	9,535,591

5. INTANGIBLE ASSETS (Continued)

5.3 Goodwill

This represents goodwill of Saudi Riyals 12.4 million recorded on acquisition of the equity interests in Al-Juthoor in the prior years.

The recoverable amount of the CGU was based on value in use estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

The discount rate was estimated based on the weighted-average cost of capital, at a rate of 6.3% (2020: 5.6%). The cash flow projections included specific estimates for five years and a terminal growth rate thereafter. The terminal growth rate of 0% (2020: 0%) was determined based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA of 4.75% (2020: 4.73%) was estimated taking into account past experience, adjusted by revenue growth was projected taking into account the average growth levels experienced over the past years and the estimated sales volume and price growth for the next five years. No impairment loss was recognised for 2021 and 2020 respectively. A change of 2.8% in discount rate will result in an impairment.

6. INVESTMENT IN AN ASSOCIATE

Investment in an associate at December 31, 2021 and 2020 represents the Group's 26% equity interest in East Gas Company (the Associate), a limited liability Company registered in Kingdom of Saudi Arabia. The Associate is principally involved in distribution of natural gas, maintenance and operating of industrial facilities and wholesale trade in machines and equipment of gas.

The Group has determined that it has significant influence because it has representation on the board of the investee. Movement in investment in an associate is as follows:

	2021 **SR**	2020 SR
January 1,	**22,272,588**	21,252,673
Share in profit of an associate	**3,275,487**	3,619,915
Dividends received from the associate	**(3,640,000)**	(2,600,000)
December 31,	**21,908,075**	22,272,588

The tables below provide summarised financial information for the Associate. The information disclosed reflects the amounts presented in the financial statements of the Associate and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method if any, including fair value adjustments and modifications for differences in accounting policy as needed.

	2021 **SR**	2020 SR
Non-current assets	**67,126,042**	64,762,958
Current assets (excluding cash and cash equivalents)	**19,260,627**	19,609,255
Cash and cash equivalents	**15,430,348**	15,982,266
Total current assets	**34,690,975**	35,591,521
Non-current liabilities	**(2,471,444)**	(1,333,879)
Current liabilities (excluding trade payables and provisions)	**(114,569)**	(28,234)
Other current liabilities	**(14,969,177)**	(13,328,565)
Total current liabilities	**(15,083,746)**	(13,356,799)
Net Assets	**84,261,827**	85,663,801

6. INVESTMENT IN AN ASSOCIATE (Continued)

Summarized statement of profit or loss of the Associate:

	December 31, 2021 SR	December 31, 2020 SR
Revenue	**96,131,251**	88,746,139
Depreciation and amortization	**(8,208,539)**	(7,159,264)
Finance cost	**(477,150)**	(513,093)
Profit before zakat	**13,415,083**	14,173,784
Zakat	**(560,599)**	(599,545)
Profit for the year	**12,854,484**	13,574,239
Other comprehensive loss	**(256,458)**	(15,793)
Total comprehensive income	**12,598,026**	13,558,446

The Group has no contingent liabilities or capital commitments relating to its interest in the associate as at December 31, 2021 (2020: Nil).

The associate has a contingent liability for bank guarantees issued in the normal course of the business amounting SR 19 million as at December 31, 2021 (December 31, 2020: SR 19 million).

During the year, the associate has declared and paid dividends amounting to SR 3.64 million (2020: 2.6 million).

7. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

The Group has investment at fair value through other comprehensive income invested in unlisted securities (Mena Shipco Limited). This investment is classified as level 3 and fair value is determined using Net Asset Value (NAV). This investment was fully impaired as of December 31, 2020 and 2021.

8. INVENTORIES

	Note	**2021 SR**	2020 SR
Raw materials		**41,985,225**	51,592,944
Finished goods		**25,772,077**	28,994,389
Work in progress		**1,653,441**	1,580,491
Stores, spare parts and other consumables		**28,333,717**	27,831,259
		97,744,460	109,999,083
Allowance for slow moving inventories	8.1	**(12,432,228)**	(21,225,260)
		85,312,232	88,773,823

8.1 The movement in allowance for slow moving inventories during the year ended is as follows:

	December 31, 2021 SR	December 31, 2020 SR
Opening balance	**21,225,260**	20,080,474
Provision for the year	**158,085**	2,200,000
Reversal during the year for items sold	**(7,671,798)**	-
Write offs during the year	**(1,279,319)**	(1,055,214)
	12,432,228	21,225,260

9. TRADE RECEIVABLES

	Note	2021 SR	2020 SR
Trade receivables		**203,005,652**	219,444,455
Allowance for impairment of receivables	9.1	**(53,266,883)**	(100,835,002)
		149,738,769	118,609,453

9.1 The movement in allowance for impairment of receivables during the year ended is as follows:

	December 31, 2021 SR	December 31, 2020 SR
Opening balance	**100,835,002**	103,680,117
Allowance (reversal) for the year	**966,906**	(2,845,115)
Write offs during the year	**(48,535,025)**	-
	53,266,883	100,835,002

9.2 Management has performed an assessment for the impairment of Group's trade receivables as of December 31, 2021. Based on the results of this assessment, allowance for impairment of trade receivables, amounting to SR 0.96 million, is recognized during the year ended December 31, 2021 (2020: Reversal of SR 2.8 million). The change in the loss allowance during the year was mainly due to change in credit risks as the receivable balances progressed through successive stages of delinquency to write off.

9.3 Aging analysis of trade receivables

	Total	Neither past due nor impaired	< 31 days	31 – 60 days	61 – 90 days	91 – 120 days	>120 days
December 31, 2021	**203,005,652**	**105,674,686**	**20,493,018**	**12,086,505**	**5,932,825**	**3,057,768**	**55,760,850**
December 31, 2020	219,444,455	84,531,890	12,905,821	6,057,128	4,653,866	3,168,850	108,126,900

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables, is included in note 31.

10. ADVANCES, PREPAYMENTS AND OTHER ASSETS

	Note	2021 SR	2020 SR
Receivable on sale of a subsidiary	1	-	13,654,067
Provision against receivable on sale of a subsidiary		-	(13,654,067)
Net receivable on sale of a subsidiary		-	-
Advances to suppliers		**41,557,293**	9,579,551
Other receivable	10.1	**17,300,000**	-
Prepaid expenses		**2,240,678**	3,160,232
Custom duty refundable		**1,299,425**	1,741,740
Employees housing and other advances		**1,203,635**	1,255,503
Insurance claim receivable		**201,060**	1,103,296
Refundable deposits		**182,275**	855,483
Others		**3,809,823**	2,323,028
		67,794,189	20,018,833

10.1 During the year ended December 31, 2021, the Court of law has given ruling in favour of the Company to receive SR 17.3 million in respect of sale of the Company's land made in 2017. Accordingly, the Company has recorded receivable and related income (Note 26). Based on the court ruling the Company has not yet received the payment as of the date of approval of these consolidated financial statements. However, the management is following up on this matter and believes that amount will be collected in due course of time.

11. CASH AND CASH EQUIVALENTS

	Note	2021 SR	2020 SR
Cash at banks - current accounts	11.1	**42,887,163**	14,854,872
Cash in hand		**181,223**	868,068
		43,068,386	15,722,940

11.1 The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year. The table below provides details of cash at bank placed in various currencies.

	2021 SR	2020 SR
SAR	**26,543,243**	4,113,550
KUW	**3,854,960**	6,885,635
DZD	**11,617,542**	3,178,808
USD	**387,560**	370,004
Others	**483,858**	306,875
	42,887,163	14,854,872

12. SHORT TERM DEPOSITS

The rate of return on short-term deposits with a local bank is per annum depending on tenure. These short term deposits placed with local bank on September 8, 2021 having maturities up to March 8, 2022.

13. SHARE CAPITAL, STATUTORY RESERVE AND OTHER RESERVES

13.1 SHARE CAPITAL

As at December 31, 2021, the share capital of the Company was SR 192,000,000 (December 31, 2020: SR 92,000,000) divided into 19,200,000 shares (December 31, 2020: 9,200,000 shares) of SR 10 each (see note 1).

13.2 STATUTORY RESERVE

In accordance with regulations for companies in Saudi Arabia and the by-laws of the Company, the Group has established a statutory reserve by the appropriation of 10% of net income, if available after absorption of accumulated losses, until the reserve equals 30% of the share capital. This reserve is not available for dividend distribution.

13.3 OTHER RESERVES

These reserves include change in fair value of financial assets through OCI and remeasurement gain / (loss) on employees' end of service benefits.

14. MEDIUM AND LONG TERM LOANS

	Note	2021 SR	2020 SR
Commercial bank loans	14.2	**407,241,361**	489,894,273
Saudi Industrial Development Fund ("SIDF") loans	14.1	**15,135,700**	27,632,000
		422,377,061	517,526,273
Medium and long term loans – current portion		**(93,154,258)**	(151,284,922)
		329,222,803	366,241,351

14. MEDIUM AND LONG TERM LOANS (Continued)

14.1 SIDF loans

These represent loans obtained from SIDF by the Company. The covenants of the loan agreements require the Company to maintain certain levels of financial condition, place limitations on dividends distributions and on annual capital and rental expenditures.

The loans do not bear financial charges, however, an upfront fee is charged on the loan and these are secured by mortgaged on property, plant and equipment of the Company and the subsidiary equal to the carrying amount of the loan.

14.2 Commercial bank loans

The Group has obtained loan facilities both long term and short term of SR 744 million from various commercial banks. These loans are mainly denominated in Saudi Riyals which generally bear financial charges based on prevailing market rates. The aggregate maturities of the loans outstanding at December 31, 2021, based on their respective repayment schedules, are spread in 2021 through 2027. The group has long term unutilized facility amounting to SR 0.79 million as at December 31, 2021 (December 31, 2020 SR 3.96 million).

During the year, the Company has signed a credit facility agreement compliant with Islamic sharia with a local bank to reschedule its existing financing facility with the bank amounting to SR 67.5 million. The Company has rescheduled the facility to meet its cash flow requirements and enhance working capital cycle.

The covenants of some of these facilities require the Group to maintain certain level of financial conditions, require lenders' prior approval for dividends distribution above a certain amount and certain other requirements. The information is summarized in the table below.

	Nominal interest rate	**Year of maturity**	**2021 SR**	2020 SR
Alinma Bank	SAIBOR + 2.25%	2018-26	**179,420,475**	193,489,730
Riyadh Bank	SAIBOR + 2%	2018-26	**128,253,053**	146,223,372
Al-Rajhi Bank	SAIBOR + 2%	2019-24	**51,505,500**	73,527,000
Saudi Investment Bank	SAIBOR + 2%	2018-25	**30,996,718**	36,867,000
Samba Bank	SAIBOR + 2%	2016-23	**8,410,946**	13,333,176
Saudi National Bank	SAIBOR + 2%	2018-22	**2,656,495**	13,281,676
Industrial Bank of Kuwait	3.5%	2020-27	**5,998,174**	2,788,546
Aljazeera Bank	SAIBOR + 2%	2018-21	**-**	5,383,736
Arab National Bank	SAIBOR + 2%	2016-21	**-**	5,000,037
			407,241,361	489,894,273

These bank loans are secured against promissory notes amounting to SR 588.2 million (2020: SR 756.5 million).

Information about the Group's exposure to interest rate and liquidity risks is included in Note 31.

14.3 Maturity profile of long-term borrowings

	2021 SR	2020 SR
2021	**-**	151,284,922
2022	**93,154,258**	67,072,980
2023	**74,993,641**	61,838,440
2024	**93,678,509**	78,023,308
2025	**78,511,509**	77,856,308
2026	**81,598,509**	80,943,308
2027	**440,635**	507,007
	422,377,061	517,526,273

The Group has not complied with the covenant requirements of maintaining certain financial ratios of some of its loan agreements.

15. EMPLOYEES' END OF SERVICE BENEFITS

The movement in the present value of defined benefit obligation is as follows:

	December 31, 2021 SR	December 31, 2020 SR
Opening balance	**18,017,806**	19,828,157
Charged to consolidated profit or loss:		
- Current service cost	**3,204,969**	2,286,515
- Interest cost	**409,037**	563,549
	3,614,006	2,850,064
Charged to consolidated statement of other comprehensive income:		
Actuarial remeasurement loss / (gain)	**2,329,278**	(2,339,559)
Paid during the year	**(3,363,901)**	(2,320,856)
Closing balance	**20,597,189**	18,017,806

15.1 The details of the actuarial valuation under the projected unit credit method as at December 31, for unfunded gratuity scheme is as follows:

	December 31, 2021	December 31, 2020
Discount rate per annum used for calculation of obligation	2.65%	2.54%
Salary increment rate used for calculation of obligation	2.65%	1.35%
Mortality rates (from mortality table)	WHO SA19-75%	IALM 2012-14
Employee turnover (withdrawal rate)	Moderate	Moderate

15.2 Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	December 31, 2021		December 31, 2020	
	Increase	**Decrease**	Increase	Decrease
	(0.5% movement)		(1% movement)	
Discount rate	**18,791,337**	**20,613,768**	15,939,459	18,704,492
Future salary growth	**20,608,998**	**18,787,213**	18,704,508	15,939,603

16. TRADE PAYABLES

	Note	**2021 SR**	2020 SR
Non-related parties		**68,406,567**	65,604,481
Related parties	29	**3,253,601**	2,292,480
		71,660,168	67,896,961

17. SHORT TERM LOANS

These include short-term loans and liabilities against letter of credit refinancing obtained from various commercial banks and bear financial charges at prevailing market rates which are based on inter-bank offer rate.

The covenants of certain of the short-term bank borrowings require the Group to maintain certain level of financial conditions.

As at December 31, 2021, the Group has unused bank financing facilities amounting to SR 15.7 million (2020: SR 22.1 million).

During the year, the proceeds and repayment for short term facilities including accrued interest were amounting to SR 215 million and SR 166 million respectively.

18. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2021 SR	2020 SR
Employee benefits accrual		**22,752,756**	15,255,532
Goods received but invoices not received		**7,253,244**	5,375,362
Accrual for utilities		**4,106,152**	2,698,754
VAT - net		**3,418,255**	3,264,182
Advances from customers	18.1	**2,837,373**	2,621,071
Accrued legal and professional expenses		**1,744,539**	1,498,593
Accrued transportation cost		**1,389,848**	1,861,269
Accrued clearing cost		**1,117,359**	272,843
Accrued car rental		**915,445**	1,305,397
Accrued sales commission		**734,508**	1,028,346
Accrued rebates		**556,468**	2,713,623
Provision for marketing expenses		**105,091**	555,091
Others		**2,744,424**	2,437,168
		49,675,462	40,887,231

18.1 The movement in the advances from customers is as follows:

	2021 SR	2020 SR
January 1	**2,621,071**	196,835
Collected during the year	**3,024,632**	6,372,558
Earned during the year	**(2,808,330)**	(3,948,322)
December 31	**2,837,373**	2,621,071

19. PROVISION FOR ZAKAT

The Company is subject to Zakat in the Kingdom of Saudi Arabia in accordance with Saudi Arabia fiscal regulation.

a) Principal elements of zakat base are as follows:

	2021 SR	2020 SR
Non-current assets	**597,789,942**	633,743,073
Inventory- Spare parts machinery and equipment	**28,333,717**	27,831,259
Non-current liabilities	**361,377,455**	391,337,925
Opening shareholders' equity	**89,162,085**	72,722,706
Net profit before zakat	**33,763,230**	19,710,235

b) Movement in Zakat provision for the year ended as follows:

	2021 SR	2020 SR
January 1	**14,226,861**	16,208,696
Provision for the year	**2,986,937**	4,051,877
Adjustment	**(15,814)**	-
Payments made	**(987,862)**	(6,033,712)
December 31	**16,210,122**	14,226,861

c) Status of assessments

Pursuant to the requirements of Circular No. 36025/9/1437 issued by ZATCA the in 2016, the Group had filed combined zakat declaration based on the combined audited financial statements combining the results of parent company and its resident and non-resident wholly owned subsidiaries for the financial year ended December 31, 2020.

During the year ended December 31, 2020, the Company has settled the assessment claim for the years 2006 to 2007 amounting to SR 2.1 million by payment of SR 1.05 million and received the final assessment for these years. Further, during the year ended December 31, 2020, the Company also received the assessments related to years 2014 to 2018 (note 33).

20. LEASE LIABILITIES

The Group has lease liabilities related to factory lands, buildings, office equipments and vehicles. With the exception of short-term leases, each lease is presented as a lease liability on the statement of financial position. Lease term period of lands is 20 years with fixed payment terms.

Each lease imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right of use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. These leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security.

	Note	**December 31, 2021 SR**	December 31, 2020 SR
Opening balance		**8,531,449**	8,094,596
Additions		**10,372,517**	889,652
Interest accrued during the year	25	**838,539**	442,601
Lease liability settled during the year		**(4,207,853)**	(895,400)
Closing balance		**15,534,652**	8,531,449

	December 31, 2021 SR	December 31, 2020 SR
Current	**3,977,189**	1,452,681
Non-current	**11,557,463**	7,078,768
	15,534,652	8,531,449

Right of use assets related to these lease liabilities are disclosed in Note 4.2 of these consolidated financial statements.

As at December 31, 2021, lease payments and finance charges related to lease liabilities are as follows:

	Current SR	**1-5 years SR**	**6-10 years SR**	**11-19 years SR**	**Total SR**
Lease payments	**4,665,872**	**9,618,014**	**3,180,000**	**636,000**	**18,099,886**
Finance charges	**(688,683)**	**(1,401,159)**	**(467,540)**	**(7,852)**	**(2,565,234)**
Net present values	**3,977,189**	**8,216,855**	**2,712,460**	**628,148**	**15,534,652**

As at December 31, 2020, lease payments and finance charges related to lease liabilities are as follows:

	Current SR	**1-5 years SR**	**6-10 years SR**	**11-19 years SR**	**Total SR**
Lease payments	1,877,314	4,637,776	3,180,000	1,272,000	10,967,090
Finance charges	(424,633)	(1,365,826)	(599,028)	(46,154)	(2,435,641)
Net present values	1,452,681	3,271,950	2,580,972	1,225,846	8,531,449

The Group has short term and low value lease arrangements and expenses for the year was SR 2.9 million.

21. REVENUE

	2021 SR	2020 SR
Manufacturing	**541,708,883**	504,735,298
Trading and others	**47,090,585**	27,355,261
	588,799,468	532,090,559

22. COST OF REVENUE

	Note	2021 SR	2020 SR
Raw materials, consumables and change in finished products		**303,222,302**	240,779,048
Depreciation	4.3	**49,018,335**	50,826,302
Utilities	29	**37,893,477**	35,107,421
Salaries and other employees' benefits		**35,077,432**	32,791,007
Maintenance		**9,967,067**	9,091,596
Contract labour		**4,477,448**	5,311,788
Insurance		**4,352,591**	4,513,455
Amortization		**2,221,705**	1,902,219
Lease rentals		**1,272,496**	1,250,485
Impairment loss on property, plant and equipment	4.4	**-**	959,656
Others		**5,246,378**	2,686,033
		452,749,231	385,219,010

23. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2021 SR	2020 SR
Salaries and other employees' benefits		**28,489,705**	24,936,944
Depreciation	4.3	**1,672,969**	1,728,952
Communication and IT services		**2,466,958**	1,442,377
Legal, professional and consultancy services		**1,745,117**	1,788,078
Insurance		**1,371,115**	1,627,663
Provision against custom duty refundable		**930,807**	1,884,410
Repair and maintenance		**531,947**	239,912
Travelling		**443,698**	459,619
Government charges and fees		**464,836**	618,800
Rent		**81,443**	122,431
Allowance for slow moving inventory	8.1	**-**	1,000,000
Others		**5,242,475**	3,547,968
		43,441,070	39,397,154

24. SELLING AND DISTRIBUTION EXPENSES

		2021 SR	2020 SR
Salaries and other employees' benefits		**18,404,490**	15,589,910
Transportation and logistics cost		**17,376,086**	16,227,759
Marketing expenses		**5,330,700**	1,514,209
Depreciation	4.3	**3,758,782**	559,012
Sales commission		**3,071,583**	3,802,074
Travelling expenses		**1,501,542**	1,085,418
Warehouse rent		**1,142,425**	761,637
Sales vehicles rent		**479,145**	2,792,966
Others		**2,959,704**	6,715,817
		54,024,457	49,048,802

25. FINANCE CHARGES

	2021 SR	2020 SR
Mark-up on:		
- Long term borrowings	**15,706,605**	18,085,306
- Short term borrowings	**3,947,245**	5,767,020
Bank and other charges	**1,981,045**	9,221,992
Interest on lease liability	**838,539**	442,601
	22,473,434	33,516,919

26. OTHER INCOME AND OTHER EXPENSES

26.1 OTHER INCOME

	Note	2021 SR	2020 SR
Recovery of land sold in 2017	10.1	**17,300,000**	-
Gain on sale of property, plant and equipment		**159,332**	363,928
Reversal of creditors balance		**-**	96,485
Scrap sales		**1,640,021**	1,518,299
Others		**316,715**	627,530
		19,416,068	2,606,242

26.2 OTHER EXPENSES

	Note	2021 SR	2020 SR
Impairment of investments at FVOCI		**1,484,520**	-
Impairment loss on unutilized plant and machinery	4.5	**1,293,604**	615,644
Impairment loss on land and buildings of non-operational foreign subsidiaries		**621,966**	-
Dismantling cost		**672,605**	-
Provision against other receivable	26.3	**-**	13,654,067
		4,072,695	14,269,711

26.3 In 2019, the Group has sold net assets of its fully owned subsidiary in Morocco. Net assets of the subsidiary sold were SR 16.89 million and the receivable amount recorded was SR 13.65 resulting a loss amounting to SR 3.24 million. During the year ended December 31, 2020, the Group has fully provided against this receivable balance. During the year, the Company has obtained back the possession of the subsidiary through a court order, however, the future prospects of the subsidiary's assets are not yet confirmed. Accordingly, subsidiary's assets along with the related impairment has been reclassified to property, plant and equipment (See Note 4).

27. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. With regard to diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all diluted potential ordinary shares.

Earnings per share are represented as follows:

	2021 SR	2020 SR
Net profit for the year	**30,275,860**	15,100,183
Weighted average number of outstanding shares	**19,112,366**	16,292,143
Basic/ diluted earnings for the year	**1.58**	0.93

28. OPERATING SEGMENTS

a. Basis for segmentation

The Group has the following strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment that met the quantitative thresholds for reportable segments in 2021 and 2020.

Reportable segments	Operations
Manufacturing	Buying, manufacturing and distributing pulp and paper
Trading and other	Collecting, sorting and pressing waste papers

28. OPERATING SEGMENTS (Continued)

a. Basis for segmentation (Continued)

Chief Executive Officer (CEO) of the Company is the Chief Operating Decision Maker (CODM) of the Group. CEO reviews the internal management reports of each division at least quarterly.

There are varying levels of integration between the both the segments. This integration includes transfers of recycled raw materials and shared distribution services, respectively. Inter-segment pricing is determined on an arm's length basis.

b. Information about reportable segments

Information related to each reportable segment is set out below. Segment profit (loss) before Zakat is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

For the year ended December 31, 2021	**Reportable segments**		
	Manufacturing	**Trading and others**	**Total**
Segment revenue	**670,323,001**	**60,690,493**	**731,013,494**
Intra /inter segment revenue	**(128,614,118)**	**(13,599,908)**	**(142,214,026)**
External revenue	**541,708,883**	**47,090,585**	**588,799,468**
Net profit before zakat	**23,794,075**	**9,969,155**	**33,763,230**
Finance cost	**21,082,966**	**1,390,468**	**22,473,434**
Depreciation and amortization	**54,953,261**	**1,718,531**	**56,671,792**
Impairment loss	**1,915,570**	**-**	**1,915,570**
Segment assets	**930,787,599**	**46,915,919**	**977,703,518**
Segment liabilities	**720,113,430**	**44,004,478**	**764,117,908**

For the year ended December 31, 2020	**Reportable segments**		
	Manufacturing	**Trading and others**	**Total**
Segment revenue	636,494,233	42,106,022	678,600,255
Intra /inter segment revenue	(131,758,935)	(14,750,761)	(146,509,696)
External revenue	504,735,298	27,355,261	532,090,559
Net profit (loss) before zakat	31,703,681	(11,993,446)	19,710,235
Finance cost	32,149,265	1,367,654	33,516,919
Depreciation and amortization	57,193,266	1,554,537	58,747,803
Impairment loss	1,575,300	-	1,575,300
Segment assets	836,787,560	40,080,562	876,868,122
Segment liabilities	740,271,973	45,990,892	786,262,865

28 OPERATING SEGMENTS (Continued)

c. Geographic information

The business of the Group is managed on a worldwide basis. However, the main operations are settled in Kingdom of Saudi Arabia, certain Gulf Cooperation Council (GCC) countries and certain other countries.

The geographic information analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries.

	December 31, 2021 SR	December 31, 2020 SR
- **Revenue**		
Saudi Arabia	**515,123,315**	477,834,809
GCC countries	**41,742,195**	37,346,405
Other countries	**31,933,958**	16,909,345
Consolidated revenue	**588,799,468**	532,090,559
- **Non-current assets**		
Saudi Arabia	**551,495,126**	586,703,125
GCC countries	**36,291,949**	35,429,985
Other countries	**10,002,867**	11,609,963
Consolidated Non-current assets	**597,789,942**	633,743,073

29. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties consist of subsidiaries, affiliates and Board of Directors and key management personnel. In the ordinary course of business, the Group transacts with its related parties. Such transactions relate to services rendered and received and expenses incurred on behalf of related parties. The transactions are dealt with on mutually agreed terms and the terms and conditions on these transactions are approved by the Group's management.

Key management personnel compensation

	For the year ended December 31, 2021	**For the year ended December 31, 2020**
Short-term employees benefits	**5,998,828**	5,088,075
BOD and related committees remuneration	**2,112,000**	2,073,996
Employees' end of service benefits	**318,828**	259,565

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan.

Payable balance to key management personnel as of yearend amounted to SR 3.25 million (December 31, 2020 SR 2.47 million).

Other related parties transactions

During the year ended December 31, the Company had the following significant transactions with its related parties:

Related party	**Relationship**	**Nature of transaction**	**Amount SR**	**Balance SR**
2021:				
East Gas Limited	Associate	Purchase of gas	**7,835,699**	**3,253,601**
		Dividend received	**3,640,000**	
2020:				
East Gas Limited	Associate	Purchase of gas	7,188,244	2,292,480
		Dividend received	2,600,000	

30. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2021 and 2020, all of the Group's financial instruments have been carried at amortised cost except for financial assets at fair value through OCI which have been carried at fair value under level 3 fair value hierarchy i.e. based on unobservable inputs and which were fully provided in 2019. The carrying values of all other financial assets and financial liabilities in the consolidated financial statements approximates to their fair values.

31. FINANCIAL RISK MANAGEMENT

The Group finances its operations through equity, borrowing and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. Taken as a whole the Group's risk arising from financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments. Financial instruments of the Group are as under:

Financial instruments by categories
(i) Financial assets

	Amortized Cost	Total
December 31, 2021:		
Trade receivables	**149,738,769**	**149,738,769**
Other receivables	**22,792,583**	**22,792,583**
Short term deposits	**34,000,000**	**34,000,000**
Cash and cash equivalents	**43,068,386**	**43,068,386**
	249,599,738	**249,599,738**
December 31, 2020:		
Trade receivables	118,609,453	118,609,453
Other receivables	6,023,547	6,023,547
Cash and cash equivalents	15,722,940	15,722,940
	140,355,940	140,355,940

31. FINANCIAL RISK MANAGEMENT (Continued)

(ii) Financial liabilities

	At amortized cost	Total
As at December 31, 2021:		
Long term loans	**422,377,061**	**422,377,061**
Short term loans	**168,063,254**	**168,063,254**
Trade payables	**71,660,168**	**71,660,168**
Lease liabilities	**15,534,652**	**15,534,652**
Accrued expenses and other liabilities	**43,419,834**	**43,419,834**
	721,054,969	**721,054,969**
As at December 31, 2020:		
Long term loans	517,526,273	517,526,273
Short term loans	119,176,284	119,176,284
Trade payables	67,896,961	67,896,961
Lease liabilities	8,531,449	8,531,449
Accrued expenses and other liabilities	35,001,978	35,001,978
	748,132,945	748,132,945

The Group has exposure to the following risks from financial instrument:

a. credit risk
b. liquidity risk
c. market risk
d. operational risk

The Board of Directors of the Group has the overall responsibility for establishment and oversight of the Group's risk management framework. To assist the Board in discharging its oversight responsibility, the management has been made responsible for identifying, monitoring and managing the Group's financial risk exposure. The Group's overall risk management program focuses on the under predictability of financial markets and seek to minimize potential adverse effects on the Group's financial performance.

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board oversees how management monitors compliance with the Group’s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

a. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s receivables from customers and other receivables.

31. FINANCIAL RISK MANAGEMENT (Continued)

a. Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2021 **SR**	2020 SR
Trade receivables	**203,005,652**	219,444,455
Short term deposits	**34,000,000**	-
Other receivables	**22,792,583**	6,023,547
Balances with banks	**42,887,163**	14,854,872
	302,685,398	240,322,874

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, if they are available, financial statements, credit agency information, industry information, and in some cases bank references. Sale limits are established for each customer and reviewed periodically. Any sales exceeding those limits require approval from the risk management committee. Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 365 days from the due date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one to three months for individual and corporate customers respectively.

The Group is closely monitoring the economic environment in the Middle east and is taking actions to limit its exposure to customers in countries experiencing particular economic volatility.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

At December 31, the maximum exposure to credit risk for trade receivables by geographic region was as follows:

	2021 **SR**	2020 SR
Kingdom of Saudi Arabia	**192,201,263**	207,715,273
Kuwait	**8,921,745**	9,532,998
Algeria	**1,859,724**	1,930,948
United Arab Emirates	**-**	242,285
Jordan	**22,920**	22,951
	203,005,652	219,444,455

31. FINANCIAL RISK MANAGEMENT (Continued)

a. Credit risk (Continued)

Trade and other receivables (continued)

At December 31, the maximum exposure to credit risk for trade receivables by type of counterparty was as follows.

	2021 SR	2020 SR
Business to business	**123,080,492**	120,774,864
Wholesale customers	**61,287,883**	70,308,641
Retail customers	**18,439,271**	27,869,388
Other	**198,006**	491,562
	203,005,652	219,444,455

Other receivable mainly includes receivable in respect of Company's land in 2017, custom duty refundable, insurance claim receivable and refundable deposits. Group management analyse and review these receivables periodically.

Short term deposits
Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Cash at Bank
The cash and cash equivalents are held with bank and financial institution counterparties, which are rated as follows;

	Rating				
	Short-term	**Long-term**	**Rating agency**	**December 31, 2021**	December 31, 2020
Riyadh Bank	F2	A-	Fitch	**8,480,238**	460,131
Bank Alinma	F2	A-	Fitch	**7,701,306**	203,908
Saudi National Bank	F1	A-	Fitch	**5,607,166**	1,715,220
Al Rajhi bank	A1	-	Moody's	**2,975,398**	1,593,758
Banque Saudi Fransi	A1	P-1	Moody's	**1,381,505**	2,196
Saudi Investment Bank	A3	P-2	Moody's	**150,874**	-
Saudi American Bank	A1	P-1	Moody's	**66,315**	276,765
Saudi British Bank	A1	P-1	Moody's	**35,539**	55,056
Arab National Bank	A2	A	CI ratings	**20,302**	15,369
Bank Aljazeera	F2	A-	Fitch	**14,273**	2,877
Foreign subsidiaries banks and others	-	-	-	**16,454,247**	10,529,592
				42,887,163	14,854,872

b. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

31. FINANCIAL RISK MANAGEMENT (Continued)

b. Liquidity risk (Continued)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

As at December 31, 2021	**Carrying amount**	**Less than one year**	**One to five years**	**More than five years**
Long term loans	**464,220,500**	**108,511,030**	**355,251,212**	**458,258**
Short term loans	**168,063,254**	**168,063,254**	**-**	**-**
Trade payables	**71,660,168**	**71,660,168**	**-**	**-**
Lease liabilities	**18,099,886**	**4,665,872**	**9,618,014**	**3,816,000**
Accrued expenses and other liabilities	**43,419,834**	**43,419,834**	**-**	**-**
	765,463,642	**396,320,158**	**364,869,226**	**4,274,258**

As at December 31, 2020	Carrying amount	Less than one year	One to five years	More than five years
Long term loans	571,640,176	164,484,980	406,611,348	543,848
Short term loans	119,176,284	119,176,284	-	-
Trade payables	67,896,961	67,896,961	-	-
Lease liabilities	10,967,090	1,877,314	4,637,776	4,452,000
Accrued expenses and other liabilities	35,001,978	35,001,978	-	-
	804,682,489	388,437,517	411,249,124	4,995,848

c. Market risk

Market risk is the risk that changes in market interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk management
Interest rate risk management arises from the possibility of changes in interest rates which may affect the value of financial instruments. The Group has long term and short term borrowings at variable rates. Group is exposed to interest rates risk on its borrowings. At the reporting date, the interest rate profile of the Group's interest bearing financial instruments is:

	2021 SR	2020 SR
Fixed rate instruments:		
Financial liabilities		
Long term loans	**422,377,061**	517,526,273
Short term loans	**168,063,254**	119,176,284
	590,440,315	636,702,557

Foreign exchange risk management
Foreign exchange risk is the risk that the value of financial asset or a liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions entered into foreign currencies. Currently, the Group's foreign exchange risk exposure is restricted to the amounts receivable / payable from / to the foreign entities and outstanding letters of credit and bills payable. These are mainly denominated in Euros, GBP Pound sterling and "United States Dollar "USD". USD is pegged with SR at USD 1 to SR 3.75.

31. FINANCIAL RISK MANAGEMENT (Continued)

d. Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Group's activities, either internally within the Group or externally at the Group's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of operation behaviour. Operational risks arise from all the Group's activities.

The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation while achieving its objectives of becoming a profitable organisation, producing high quality products and generating returns for investors. Primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors.

Capital risk management

The objective of the Group when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other shareholders and to maintain a strong base to support the sustained development of its business.

The Group manages its capital structure by monitoring return on net assets and make adjustments to in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payable to the shareholders or issue new shares.

The Group finances its expansion projects through equity, borrowings and management of its working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk.

The gearing ratios at December 31 were as follows:

	2021	2020
	SR	SR
Interest bearing loans and borrowings	**590,440,315**	636,702,557
Less: cash and cash equivalents	**(43,068,386)**	(15,722,940)
Net debt	**547,371,929**	620,979,617
Total equity	**213,585,610**	90,605,257
Net debt to equity ratio (in times)	**2.56**	6.85

32. SUPPLEMENTAL CASHFLOW INFORMATION

	December 31, 2021	December 31,2020
	SR	SR
Right of use assets	**10,372,517**	2,711,051
Spare parts capitalized	**2,156,925**	2,565,859
Advances related to right issue settled during the year	**1,183,587**	-
Intangible capitalized from property, plant and equipment	**450,000**	-
Rescheduling of short term loans to long term loans	**-**	26,200,000

33. CONTINGENCIES AND COMMITMENTS

- As of December 31, 2021, the Group was contingently liable for letter of credits and bank guarantees issued in the normal course of the business amounting to SR 48.16 million (December 31, 2020: SR 25.5 million) and SR 0.648 million (December 31, 2020: SR 0.697 million) respectively.
- During the year ended December 31, 2020, the Company has received assessments from Zakat, Tax and Custom Authority (ZATCA) for the years 2014 to 2018 claiming additional liability amounting to SR 42.4 million. In 2020, the Company has settled the assessment claim of SR 15.5 million related to 2014 by SR 0.48 million and received the final assessment. For the assessment related to 2015 to 2018 the management has appointed a third party to review these assessments and has filed an appeal against the remaining assessments for the year 2015 to 2018 amounting to SR 26.9 million. The management believes that the provision recognised against aforementioned assessments is adequate and no further provision is required.

34. RECLASSIFICATIONS

Certain comparative figures have been reclassified and re-presented for the purpose of better presentation. However, the effect of those reclassifications was not significant. The key reclassifications were as follows:

Reclassification from	Reclassification to	Amount
Consolidated statement of financial position		
Other reserves	Translation reserve	6,803,818
Inventories- spare parts	Property, plant and equipment	19,277,886
Consolidated statement of comprehensive income		
Transportation and logistics cost- S&D	Salaries and employee benefits- S&D	806,388
Other expenses-S&D	Depreciation-S&D	559,012
Depreciation-G&A	Other expenses-G&A	559,012

These reclassifications were made in the comparative year for improved comparability and did not affect either the equity, the net profit or cash flows of the Group for the previous year.

35. SIGNIFICANT EVENTS

- The Group is continuing its operations without any significant disruption after implementing the necessary business continuity procedures and ensuring required precautionary measures. As the COVID-19 situation is still fluid and evolving, currently it is difficult to measure the complete extent and duration of the economic impact. However, management believes, based on its assessment of the situation and available information, that there is no significant impact on the Group’s financial performance and that the Group has sufficient liquidity and access to financing facilities to continue to meet its financial obligations for the foreseeable future as and when they become due.

- On January 31, 2021, the Company announced on Tadawul that it has filed a lawsuit in the court of law against Ex-Board Member and the CEO for financial and administrative violations with an estimated value of SR 40.95 million. The allegations relate to sale of subsidiary in Morocco, cancellation of debt, extending large credit facilities to a small client and other financial and administrative violations. The case has been rejected by the court of law based on certain reasons mentioned in the court’s ruling.

36. SUBSEQUENT EVENTS

There were no significant subsequent events, adjusting or non-adjusting, since December 31, 2021 that would have a material impact on the financial position or financial performance of the Group as reflected in these consolidated financial statements.

37. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 24, 2022 corresponding to 21 Sha’aban, 1443H.